

Exhibit 12.6
Docket 3720-WR-107
Witness: Kathleen Butzlaff
June 21, 2010

Milwaukee Water Works

Estimated 2010 Operating Income Statement

Net Investment Rate Base

and 2010 Estimated Revenue Requirement

Public Service Commission of Wisconsin

Division of Water, Compliance, and Consumer Affairs

Milwaukee Water Works
3720-WR-107

Estimated Operating Income Statement
and Net Investment Rate Base
2010 Test Year

	Revised Utility Estimate	Adjustments		Staff Estimate
		No.	Amount	
Total Operating Revenues:	\$70,449,726		\$0	\$70,449,726
Operating Expenses:				
Source of Supply	\$8,292		\$0	\$8,292
Pumping	6,172,999		0	6,172,999
Water Treatment	13,356,341		0	13,356,341
Transmission and Distribution	17,102,432		0	17,102,432
Customer Accounts	905,849		0	905,849
Sales	0		0	0
Administrative and General	12,697,098		0	12,697,098
Total Operation & Maintenance Expenses	\$50,243,011		\$0	\$50,243,011
Depreciation	11,230,415		0	11,230,415
Amortization	0		0	0
Taxes	10,345,000		0	10,345,000
Total Operating Expenses	\$71,818,426		\$0	\$71,818,426
Net Operating Income (Loss)	(\$1,368,700)		\$0	(\$1,368,700)
Net Investment Rate Base:				
Utility Plant in Service	\$481,942,418	1a	(\$213,000)	\$481,729,418
Less:				
Accumulated Provision for Depreciation	180,338,298	1b	(3,298,316)	177,039,982
Net Plant in Service	\$301,604,120		\$3,085,316	\$304,689,436
Add: Materials and Supplies	2,375,000		0	2,375,000
Less: Regulatory Liability - pre-2003				
Depreciation on Contributed Plant	10,952,897		0	10,952,897
Net Investment Rate Base	\$293,026,223		\$3,085,316	\$296,111,539
Rate of Return	-0.47%			-0.46%

Milwaukee Water Works
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Estimated Operating Income Statement
Average Net Investment Rate Base and
Revenue Requirement to Yield the Proposed Rate of Return
2010 Test Year

	Staff Estimate	Increase Required	Proposed Rate Level
Total Operating Revenues:	\$70,449,726	\$16,717,173	\$87,166,899
Operating Expenses:			
Source of Supply	\$8,292		\$8,292
Pumping	6,172,999		6,172,999
Water Treatment	13,356,341		13,356,341
Transmission and Distribution	17,102,432		17,102,432
Customer Accounts	905,849		905,849
Sales	0		0
Administrative and General	12,697,098		12,697,098
Total Operation & Maintenance Expenses	\$50,243,011		\$50,243,011
Depreciation	11,230,415		11,230,415
Amortization	0		0
Taxes	10,345,000		10,345,000
Total Operating Expenses	\$71,818,426		\$71,818,426
Net Operating Income (Loss)	(\$1,368,700)		\$15,348,473
Net Investment Rate Base:			
Utility Plant in Service	\$481,729,418		\$481,729,418
Less:			
Accumulated Provision for Depreciation	177,039,982		177,039,982
Net Plant in Service	\$304,689,436		\$304,689,436
Add: Materials and Supplies	2,375,000		2,375,000
Less: Regulatory Liability - pre-2003 Depreciation on Contributed Plant	10,952,897		10,952,897
Net Investment Rate Base	\$296,111,539		\$296,111,539
Rate of Return	-0.46%		5.18%

Milwaukee Water Works
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Estimated Operating Revenues
2010 Test Year

	Utility Estimate	Adjustments		Staff Estimate
		No.	Amount	
Unmetered Sales to General Customers	\$175,000			\$175,000
Metered Sales to General Customers:				
Residential	\$27,238,697		\$0	\$27,238,697
Commercial	15,439,556		0	15,439,556
Industrial	<u>5,203,192</u>		<u>0</u>	<u>5,203,192</u>
Total Metered Sales	\$47,881,445		\$0	\$47,881,445
Private Fire Protection	681,509		0	681,509
Public Fire Protection	5,877,239		0	5,877,239
Sales to Public Authorities	3,585,644		0	3,585,644
Sales for Resale	8,748,889		0	8,748,889
Interdepartmental	<u>0</u>		<u>0</u>	<u>0</u>
Total Water Sales	\$66,949,726		\$0	\$66,949,726
Forfeited Discounts	2,600,000		0	2,600,000
Misc. Service Revenues	0		0	0
Rents of Water Property	275,000		0	275,000
Interdepartmental Rents	0		0	0
Other Water Revenues	<u>625,000</u>		<u>0</u>	<u>625,000</u>
Total Operating Revenues	<u>\$70,449,726</u>		<u>\$0</u>	<u>\$70,449,726</u>

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Explanation of Staff Adjustments in Schedule 1

Particulars	Amount
<u>Adjustment No. 1</u>	
To adjust the utility's estimated Net Investment Rate Base to the 2010 PSC estimate as follows:	\$3,085,316
a. To decrease Plant in Service to the 2010 PSC estimate based upon utility revisions to plant additions and retirements in 2009 and 2010 in addition to staff reclassification for the meter replacement program in 2010 from routine to major.	(\$213,000)
b. To increase the utility's estimated Net Investment Rate Base to the 2010 PSC estimate by decreasing Accumulated Provision for Depreciation based upon:	3,298,316
- estimated 2009 and 2010 depreciation accruals using authorized rates	
- estimated retirements in 2009 and 2010	
- estimated 2009 and 2010 salvage and cost of removal.	
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Total Increase	<u><u>\$3,085,316</u></u>

Milwaukee Water Works
Schedule of Depreciation Rates
Effective January 1, 2010

Schedule 5

<u>Account Number</u>	<u>Account Title</u>	<u>Deprec. Rate</u>
	SOURCE OF SUPPLY PLANT	
313	Lake, River and Other Intakes	1.7%
316	Supply Mains	1.8%
	PUMPING PLANT	
321	Structures and Improvements	3.2%
325	Electric Pumping Equipment	4.4%
	WATER TREATMENT PLANT	
331	Structures and Improvements	3.2%
332	Sand and Other Media Filtration Equipment	3.3%
	TRANSMISSION AND DISTRIBUTION PLANT	
342	Distribution Reservoirs and Standpipes	1.9%
343	Transmission and Distribution Mains	1.3%
346	Meters	5.5%
348	Hydrants	2.2%
	GENERAL PLANT	
390	Structures and Improvements	2.9%
391	Office Furniture and Equipment	5.8%
391.1	Computer Equipment	26.7%
392	Transportation Equipment	13.3%
393	Stores Equipment	5.8%
394	Tools, Shop and Garage Equipment	5.8%
395	Laboratory Equipment	5.8%
396	Power Operated Equipment	7.5%
397	Communication Equipment	15.0%
397.1	SCADA Equipment	9.2%
398	Miscellaneous Equipment	5.8%